FOREIGN AGRICULTURE

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Malayan farmer prepares land for rice.

U.S. Tobacco Exports Declining
What Are Trade Barriers?
Japanese Government Policies
Khrushchev's New Challenge

UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

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To report and interpret world agricultural developments.

Argentina and Soybeans

Probably no crop has ever come along that has evoked as widespread interest as soybeans. On page 13 we report on Argentina's renewed interest in the crop, and note that after a long history of misfortune soybeans may be on the way to taking their place in the Argentine farm economy.

As background to this story, readers may find it useful to recall these few salient facts about soybeans in the United States:

- Soybean production, though relatively new in the United States, has become a billion-dollar industry.
- Last year's soybean crop was over four times the size of the last crop produced before World War II.
- U.S. soybean acreage this year is expected to be about 21.7 million acres, nearly four times 1941 acreage.
- Production is up even more than acreage, owing to higher yields.
- Before the war, Communist China produced over 90 percent of the world's soybeans and supplied nearly all the world trade. Last year the United States supplied over 75 percent of world soybean exports.

Cover Photograph

Malayan farmer with his team of buffalo plows his rice field. Malaya is now the world's newest nation, having gained independence on Aug. 31. (Photo by Glenn R. Ruggles.)

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Editor: Alice Fray Nelson

Advisory Board:

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Greek farmer, near village of Permi, gathers tobacco leaves from family field. Greece raises oriental tobacco and has almost doubled production over 1947-51.

U.S. Tobacco Faces A Serious Export Situation

By JAMES W. BIRKHEAD

Tobacco Division
Foreign Agricultural Service

WITH PEOPLE all over the world smoking more cigarettes, foreign tobacco consumption is at an alltime high. World production is rising, and so is international trade in unmanufactured tobacco. Yet in spite of these, export sales of U.S. leaf, in relation to total consumption and total world trade, are declining. And this trend seems likely to continue—even though U.S. flue-cured and burley are preferred because of their superior flavor, aroma, and body.

What's the answer? Why are U.S. tobacco exporters having trouble when more tobacco is being used than ever before?

There is no single answer. Nor can the factors that have led to our declining sales be stated simply, for each of these factors has a bearing on the others. But briefly, they are—increased foreign production, higher U.S. prices, scarcity of gold and dollar reserves, and the widespread and growing use of bilateral trade agreements, preferential import duties, guaranteed purchase arrangements, and other regulations.

World Tobacco Production

Increased foreign production of cigarette leaf is by far the most important reason for our present export situation. Shortage of dollar reserves and competitive price difficulties are not new; trade agreements have long influenced tobacco sales; and so has foreign production of cigarette tobacco. But suddenly the rise in production of foreign cigarette tobaccos has begun to exceed the increase in international trade in these particular types. Buyers are now in a position to purchase larger quantities of foreign tobaccos at prices that are lower than those of U.S. leaf.

Concern about a smaller U.S. flue-cured crop in 1957 is contributing to this shift. Another is the increased demand by U. S. manufacturers for the heavier-bodied, more flavorful grades of flue-cured, which are used in filter-tip cigarettes. Traditionally, these grades, especially the medium- and lower-priced ones, have been popular for export, but rising domestic demand has resulted in sharply increased prices.

Many of the tobacco-importing countries—such as Italy, Spain, France, and Germany—are boosting domestic production of cigarette leaf. This is also the case with the Philippines, Pakistan, Indonesia, Australia, and certain other areas.

Our main competition, however, comes from the tobacco-exporting countries. In Canada, the Rhodesias and Nyasaland, India, Mainland China, and Thailand, production and export of flue-cured are mounting, as they have been for some time. And undoubtedly this upward trend will continue, regardless of whether or not U.S. prices rise.

The United States still produces the only good burley. But again the changed pattern of U.S. buying, caused by greater consumption of filter-tips in this country, has raised prices and reduced the volume of certain popular grades available for foreign shipment. Thus, while burley production for export is still small in such countries as Morocco, Nyasaland, Canada, Japan,

and India, expansion is under way.

U.S. trade in dark tobaccos has been falling off for a good many years. An increasing percentage of world exports of these dark types is being supplied by Nyasaland, Colombia, the Dominican Republic, Brazil, and Algeria. Prices of leaf from these areas are well below U.S. prices. And since the wages and standard of living of tobacco farmers in these areas are much lower than those in the United States, it seems likely that they will supply an increasingly larger proportion of the declining trade in these tobaccos.

Oriental and semi-oriental tobaccos compete mainly with flue-cured in certain export markets (especially in Germany, Austria, Finland, Netherlands, and France) and have been gaining both in production and exports. Turkey, Greece, and Yugoslavia are the main exporters.

Maryland leaf, of which the United States is the main producer, enjoys the most favorable prospects this year. Our supplies are adequate, and our prices competitive. In Switzerland, which buys the bulk of our Maryland leaf for cigarette mixture, the demand continues strong; and in other areas, manufacturers are planning to use more Maryland in certain cigarette brands.

Higher Prices

There are many who claim that higher U.S. prices are the principal reason for our diminishing tobacco exports—and in a sense, this is true. Yet, were it not for the greater availability of cigarette leaf from other areas, importing countries, as their tobacco consumption increased, would in all likelihood buy as much, if not more, of our leaf, despite the price.

All over the world, and especially in Western Europe, the demand for American-type blended cigarettes is growing. This has favored wider use of burley—and American burley is preferred. Last fall, however, when U.S. burley markets opened, skyrocketing prices virtually forced export buyers away. U.S. buyers were buying up the heavier-bodied more flavorful grades of burley for use in filter-tip cigarettes. And the same thing happened to some extent in 1957 when the flue-cured auctions opened. Competition for the heavier-bodied flue-cured boosted prices for the traditional export grades just as in 1956.

Markets for U.S. tobacco are usually thought of as "price" markets or "quality" markets. Approximately 40 percent, or 205-210 million pounds, of U.S. tobacco exported annually in the last couple of years have gone to price markets, mostly in Western Europe, where the most price-conscious markets for U.S. tobacco are Belgium, Portugal, France, Netherlands, and Spain. Obviously, as our tobacco prices rise, these countries will make significant shifts now that larger foreign supplies are available.

The influence of price changes is important in quality markets but it does not have such drastic short-term effects on our sales. Several countries that buy high-quality U.S. leaf use it only in the higher-priced brands. In these, when the U.S. price and supply situation alters, only a small percentage of our exports is affected. Yet in several of the quality markets, especially the large ones, U.S. cigarette tobaccos are being replaced with increasing amounts of neutral and other less-costly foreign tobaccos.

Scarcity of Dollars

Many tobacco-importing countries are following a program of less reliance on U.S. leaf to save dollars. In a number of cases, U.S. prices have influenced the importers to purchase from other suppliers. But very often the buyer's choice is determined by lack of dollars or by government policy, with little regard to relative prices. In some areas, it is not so much a problem of an absolute shortage of dollars, but because a higher priority is given for the purchase of other items, especially U.S. manufactured goods. Several countries are buying foreign tobacco at prices that are above U.S. prices for similar or superior qualities of U.S. leaf of the same type. And as mentioned earlier, some countries—of which the Philippines and Australia are good examples—are increasing output for domestic use, even though the prices paid for domestic flue-cured are far above U.S. flue-cured prices.

This scarcity of dollars, in many ways, is the toughest hurdle that exporters face. Even increased foreign supply and rising U.S. prices would not be sufficient to make importers shift to other suppliers if more dollars were available for tobacco imports.

Trade Agreements

Among both tobacco-importing and tobacco-exporting countries the use of bilateral trade agreements is growing. These arrangements are usually "justified" by the importing countries on the basis of foreign exchange shortages, and in a number of cases this appears to be the actual situation. But several important tobacco-importing countries are using them more and more in order to assure guaranteed foreign markets for specific products, particularly manufactured goods. Preferential import duties, guaranteed purchase arrangements, mixing regulations, import permits, exchange controls—all of these are shaping the pattern of the international tobacco trade, a pattern that virtually excludes U.S. tobaccos from a number of important markets.

Outlook

As long as U.S. tobacco prices remain higher than those of our competitors, the outlook for export sales is not optimistic, even though the quality of U.S. cigarette types is above that of similar competitive foreign production. As our prices—particularly those of flue-cured and burley—go up, so do the prices received by foreign tobacco growers who export these same types of leaf. Rising prices stimulate foreign output, and at the present time, it is this greatly expanded foreign output that permits foreign buyers to shift to larger purchases of non-U.S. leaf.

Yet, there are measures we can take. The production of certain undesirable tobaccos and rising prices, especially for certain grades of U.S. flue-cured and burley, have caused some buyers to look elsewhere. But if the United States produces adequate supplies of leaf having the characteristics that foreign buyers like, we may be able to recapture certain markets. Second, if we stabilize prices, we will win back buyers who went home empty handed when prices of certain grades spiraled on the U.S. market. And lastly, we can continue our efforts—which so far have not been successful—to lower international trade barriers.

What Are Trade Barriers?

By R. L. GASTINEAU
Trade Policy Division
Foreign Agricultural Service

The map at the top of this page, which appeared in a Foreign Agricultural Service report, led one of our readers to ask for a fuller interpretation of the types of trade barriers shown. In the following article, Mr. Gastineau *has defined briefly the eight different categories and cited specific examples of each.*

All over the world, trading nations are trying to create wider foreign markets for their products. But selling for export involves more than finding a foreign merchant who wants to buy your product. Many times between the would-be buyer and seller lie trade barriers which limit or, in many cases, prohibit the opportunity to do business.

Why do these barriers to trade exist? It seems that everybody, individuals and governments alike, is in favor of "increased trade" just as everybody is "against sin."

Part of the answer lies in the nature of the restrictions. Though they differ in purpose and application, they have certain common characteristics.

To begin with, most trade barriers are man-made. Once established for one reason or another, they tend to be self-perpetuating. Human nature resists change. It is more comfortable to exist and do business within an established pattern of trading relationships than it is to remove a trade barrier, risk upsetting existing trade patterns, and perhaps open the way to new and more intensive competition in the marketplace.

Another characteristic, as the name implies, is that they restrict trade. They are the roadblocks—the detours—on the highway to freer, nondiscriminatory multilateral trade. Some are generally accepted as necessary, others are more controversial. But all are more or less arbitrary.

Finally, trade barriers are universal. In one form or another, and in varying degree, they exist in every trading nation, including the United States.

In the legend on the accompanying map, trade barriers are divided into eight categories. As an aid to understanding what the particular terms mean, this article attempts to define each of these categories, citing specific examples of each.

Exchange Controls: *Direct government controls of the purchase and sale of all foreign currency.*

In recent years, for example, the United Kingdom has allocated annually a fixed amount of dollar exchange for the purchase of North American apples. Similarly, Japan has limited the dollar exchange available to Japanese importers for the purchase of U.S. wheat.

In general, the dollar shortage in many countries has been an important reason for exchange controls as well as a major factor in limiting the normal, commercial export of U.S. agricultural commodities. And many of the other trade barriers are closely linked with exchange controls. A return to free convertibility of currencies throughout the world (however remote that prospect may be) would remove one of the most restrictive postwar trade barriers.

Quotas, Embargoes, Licenses: *Quotas — quantitative limitation on goods permitted to be traded; embargoes—complete prohibition of trade; licenses—government permission to individual traders to do business under specified terms and conditions.*

The application of these devices results not only in limiting trade, but in many cases adds materially to the red tape necessary to do business. An example of quotas is afforded in the United Kingdom where the annual utilization of North American "bright" tobacco is currently limited to 61 percent of total home consumption. So that the government may conserve dollars for other uses, the consumer is denied free choice in the marketplace. Another effect of this restriction is to encourage the production of tobacco in Commonwealth countries.

Another example closer to home of quantitative regulations of trade is afforded by the establishment of import quotas under Section 22 of the Agricultural Adjustment Act, as amended.[1] These regulations currently limit the quantity of wheat, rye, cotton, and certain dairy products which may be imported into the United States.

In October 1956, Japan placed a seasonal embargo on imports of lemons during the period April-June. This is a measure of protection to their own domestic crop which comes to market at that time. But it is also an effective barrier to imports during those months and it disturbs the orderly processes of trade.

Licenses of various types are used in many countries and serve to place the control and regulation of trade in the hands of the licensing authorities.

Examples of these are too numerous to mention, except to say that their use is widespread and that often they are the administrative procedure or means of implementing more serious forms of trade barriers.

State Trading or Trade Monopolies: *Direct government control of the purchase and sale of goods moving in domestic and international commerce.*

The Canadian Wheat Board is a type of state trading monopoly found in some of the major wheat-exporting countries. All wheat marketed in Canada, either in the domestic market or for export, must be delivered to the Canadian Wheat Board, which not only controls the distribution but fixes the price of wheat from day to day.

Germany affords an example of state trading in a major wheat-importing country. Here the government import agency also controls the marketing of all wheat, both domestic and imported. It specifies the quantities to be imported, as well as sources of supply, and implements the system through a licensing procedure.

Bilateral Trade and Payments Agreements: *Government agreements to exchange specified products, usually within a stated total value, payments to exporters being made out of special funds in each country.*

Agreements of this nature are classified as trade barriers—at least from the third-country viewpoint—since they tend to channel the exchange of goods and to limit the opportunity for third countries to compete in the available commercial market.

Typical is the bilateral agreement between France and West Germany, which provides for an annual purchase, among other things, of 500,000 tons of French wheat in exchange for the purchase of a specified list of German industrial commodities. This, in effect, shuts out the other wheat exporters of the world from competing in the German market to the extent of the 500,000 tons covered by the agreement.

Another example is the bilateral arrangement whereby Argentina has agreed to furnish annually to Brazil up to 1.2 million tons of wheat in exchange for Brazilian commodities, such as coffee, timber, bananas, and other items.

Preferences: *Lower-than-usual tariff rates on imports from certain countries, usually because of special economic or political relations between the countries concerned.*

An outstanding example of this, of course, is the "Commonwealth preference" system of tariffs now in force among the countries of the British Commonwealth. Under this system, Commonwealth suppliers of many commodities trade with each other either on a duty-free basis or at tariff rates substantially less than those which apply to non-Commonwealth sources of supply. Canada, for example, ships barley, among other things, to the United Kingdom duty-free; and in return, the United Kingdom enjoys a preferred position in the Canadian market. On the other hand, barley from the United States is subject to a 10-percent ad valorem duty in the U.K. market.

Other examples of tariff preferences are those enjoyed by the United States in Cuba and the Philippines. In the latter, however, an orderly schedule for the elimination of preferential duties is provided for in the Philippine Trade Agreement Act, as amended.

Clearing Unions: *Facilities for multilateral settlement of payments among member countries of the Union.*

The European Payments Union is an outstanding example, and most Western European countries are members of it.

Clearing unions commonly eliminate bilateral payments in favor of a limited system of multilateral payments, which is considered a necessary step toward restoration of full convertibility of currencies. In relieving the trade deficits of member debtor countries, they sometimes restrict trade with non-member countries by altering or influencing the flow of trade within the clearing-union area. Whether or not clearing unions are restrictive, however, depends on the rules under which they function and the manner in which they are administered.

Tariffs and Import Fees: *Charges or taxes placed on foreign goods entering a country.*

Trade barriers of this type are so commonplace there is probably little or no need to describe them further. They have long been used mainly as devices to protect domestic industry and as a source of revenue. The level at which such charges are fixed traditionally has been an internal domestic affair of the country concerned. In the postwar period, however, steps have been taken toward closer international cooperation in these matters. The United States, with 34 other countries,

[1]The stated purpose of Section 22 is to control imports when they materially interfere with any domestic price-support or other agricultural program undertaken by the U.S. Department of Agriculture.

now cooperates in negotiating modifications of their schedules of tariffs and import fees under the General Agreement on Tariffs and Trade (GATT). In addition, we also have trade agreements with eight other countries, under which such matters are handled on a bilateral basis.

Mixing regulations: *Requirements that products sold on the home market contain a designated proportion of domestic raw material.*

Belgium, for instance, in May of this year required that the domestic flour milling industry—which is a state monopoly—incorporate 65 percent domestic wheat in the grist. This regulation changes from time to time during the year, depending on the availability of domestic wheat. Over a year's time the average proportion of domestic wheat in the grind is closer to 30-35 percent.

The foregoing list of restrictions is not intended to be all-inclusive. Domestic price-support programs, for example, can serve as very effective trade barriers under certain conditions. In exporting countries, whenever support programs peg the domestic price of a commodity above the level prevailing in world markets, that commodity is priced out of the market unless there is an export subsidy to bridge the gap. In importing countries, these programs invite various forms of import restrictions in order to protect the price-support level of domestic products.

There are other specific types of barriers which have not been mentioned. The important point to recognize, however, is this: whenever any type of trade barrier serves unnecessarily to restrict trade, it has but one ultimate effect—a lower standard of living.

Germany Importing U.S. Variety Meats

West Germany has published its first free-dollar tender for U.S. hog, beef, and mutton variety meats. It will replace the old premium dollar arrangement whereby German importers had to pay a premium of 11 percent for dollars. Import licenses will be issued for a period of 30 days each until April 30, 1958.

Average Farm Prices In Twelve Free-World Countries, 1955-56

Country	Wheat[1]	Rye[1]	Barley[2]	Potatoes[3]	Sugar beets[4]	Cattle[5]	Hogs[5]	Eggs[6]	Whole milk[7]
	Dol. per bu.	Dol. per bu.	Dol. per bu.	Dol. per bu.	Dol. per 100 lb.	Dol. per 100 lb.	Dol. per 100 lb.	Dol. per 100 lb.	Dol. per 100 lb.
Austria..	2.62	2.24	1.67	0.73	--	--	--	29.20	2.78
Belgium..	2.45	--	1.34	--	0.52	22.48	17.92	31.35	2.69
Denmark..	1.83	1.56	--	1.14	.50	12.94	[8]20.26	26.85	2.80
Finland..	4.14	3.86	2.26	1.65	1.22	--	--	37.29	5.20
France...	2.64	1.85	--	.85	.60	33.09	25.08	41.05	3.40
W.Germany	2.71	2.40	1.91	.93	.70	17.62	26.76	35.55	3.19
Italy....	2.98	--	1.96	.92	.59	18.35	25.52	38.29	2.81
Netherlands	1.80	1.66	1.38	.83	.53	20.05	21.60	--	2.74
Norway...	3.42	2.95	1.90	1.18	--	16.57	21.97	27.68	3.93
Sweden...	2.18	1.83	1.50	--	.68	--	--	--	--
Switzerland	4.19	3.31	--	1.39	.76	30.70	34.93	44.57	4.15
United Kingdom.	2.25	1.62	1.27	1.19	.79	--	--	37.53	4.42

[1]Basic fixed or guaranteed prices. [2]Feed barley only. [3]For human consumption. [4]Contract price. [5]Market price; live weight of most representative grade. [6]Sold by producers to wholesalers. [7]Delivered to dairies for all forms of utilization. [8]Calculated on the assumption that live weight is 25 percent higher than carcass weight and that slaughter charges amount to 5 percent.

Economic Commission for Europe and Food and Agriculture Organization, *Prices of Agricultural Products and Fertilizers, 1955-56*, Geneva, 1956.

Farm Price Levels In the Free World

A review of prices received by farmers in 1955-56 for broad categories of products indicates a substantial measure of price support in most European countries.

Fixed or controlled prices are a general feature in Europe. In managing farm prices nearly all countries apply import controls through tariffs, equalization fees, or quantitative restrictions. Government trading and trade monopolies are still widespread in France, Germany, Austria, Switzerland, and the Mediterranean countries.

Wheat prices as high as $4 per bushel in Switzerland and Finland, $3.50 in Norway, and $3 in Italy give an idea of the protection accorded in those countries compared with Denmark and the Netherlands, where wheat brings $1.80.

Denmark, Europe's most efficient agricultural producer, also has the lowest farm prices. Yet, Danish farms are so productive that farmers have a substantial margin of income even at this price level.

At the other end of the scale, Finland and Switzerland have the highest farm prices of all European countries.

No important changes took place in general farm price levels between 1954-55 and 1955-56, though prices of eggs, milk, and cattle tended upward.

Government Policies That Affect Japanese Agriculture

By Riley H. Kirby
Far East Analysis Branch
Foreign Agricultural Service

To continue increasing production and consumption of goods and services, with maximum opportunity for full employment—that, briefly, is Japan's broad economic policy objective.

In support of this objective are several policy goals that bear on Japan's domestic agriculture or trade in agricultural products:

- Domestic agriculture should continue to produce at least 80 percent of Japan's food requirements.
- The Japanese people should have access to a more varied and more nutritionally adequate diet, and should be encouraged to consume such a diet.
- Japanese industry must be expanded and modernized.
- Foreign trade should be encouraged.

Food Self-Sufficiency

Since the end of World War II dominant groups in the Japanese Government have argued that the nation must not become dependent upon overseas sources for more than 20 percent of its food requirements. This argument recognizes that there remains but little land suitable for reclamation and that the cost for development is high and very possibly, uneconomic. It recognizes also that further increases in yields will be costly to achieve. But against these harsh considerations is the specter of food shortage and starvation if for any reason Japan were to be cut off from foreign food supplies in the future.

Numerous measures have been undertaken to permit or encourage agriculture to fulfill this goal.

One of them is price supports. The government supports farm prices for several commodities. The Ministry of Agriculture and Forestry has authority under the Food Control Law to purchase, from farmers, rice, wheat, common barley, and naked barley. Under other authority the Ministry can support prices of white potatoes, sweetpotatoes, soybeans, and beet sugar.

Rice is the only food crop remaining under government control in Japan. Official prices paid to producers are set each year by the Rice Price Deliberative Council. All rice offered for sale by producers is subject to purchase by the Food Agency of the Ministry of Agriculture and Forestry through licensed handlers. It is sold to consumers under ration at fixed prices through licensed dealers.

Controls on wheat and barley were removed June 1, 1952, but the Food Agency stands ready to purchase from producers, in any quantity they wish to sell, at fixed (essentially support) prices. Price supports were extended to soybeans in 1956. For the 1956 crop year the government decided to buy up to 42,000 metric tons at official prices.

The cultivation, importation, and manufacture of tobacco and tobacco products are closely controlled by the Japan Monopoly Corporation. The Monopoly designates which farmers may produce tobacco and controls the amounts and types to be grown, cultivation practices, and the purchase of leaf.

Another measure to encourage high farm output is the subsidy. Subsidies are granted in various forms to help farmers get production supplies. For example, to encourage production of the major food grains and soybeans, subsidies are granted for the purchase by farmers of certain items of farm equipment and agricultural chemicals. In some instances the subsidy takes the form of special low-interest loans. In others the government subsidizes a part of the interest on loans extended to farmers. This, it does to help farmers purchase good dairy cattle. Although the number of dairy cattle in Japan has increased sharply since the end of World War II, dairying still remains a minor enterprise. However, there is considerable interest in expanding the industry. Subsidies are also given to encourage the development of feed supplies.

Another aid to agriculture is improved credit. Credit facilities available to Japanese farmers have been reorganized since World War II. There are some 35,000 agricultural cooperatives, established under the Agricultural Cooperative Association Law of 1947. About 13,000 of these engage in credit transactions. These are joined in prefectural credit federations, which in turn are member-stockholders in the Central Cooperative Bank for Agriculture and Forestry. The Central Bank is directly connected with the general money market and thus provides for adjustment of excesses and shortages of funds that occur seasonally in agriculture.

Through this cooperative credit system, farmers obtain both short-term and intermediate credit. Long-term credit for farmers is available from the Agricultural, Forestry, and Fisheries Finance Corporation. This corporation was established as a government agency in 1953 with funds from government contribution or borrowings from the government. It provides loans for maintaining and developing pro-

ductivity in agriculture. Having no local branch offices, the corporation entrusts the actual lending to the Central Cooperative Bank, the prefectural credit federations, and local commercial banks.

Certain tax benefits are also available to farmers. To encourage rice collections, tax benefits are allowed for early sales to the government. In recent years local taxes have become more significant to farmers than national taxes. In 1955 local taxes made up 83 percent of the total taxes and public imposts paid by farmers. This compares to 46 percent in 1949. Total taxes and imposts per farm household in 1955 amounted to less than 9 percent of the total farm household income, including both agricultural income and income from nonfarm work. For agriculture this compares favorably with taxes paid by other segments of the economy.

A basic measure to encourage agricultural production was the reorganization of research and extension activities after World War II. This was done under the Law for Improvement and Promotion of Agriculture of July 1948 to get more effective administration and coordination of effort.

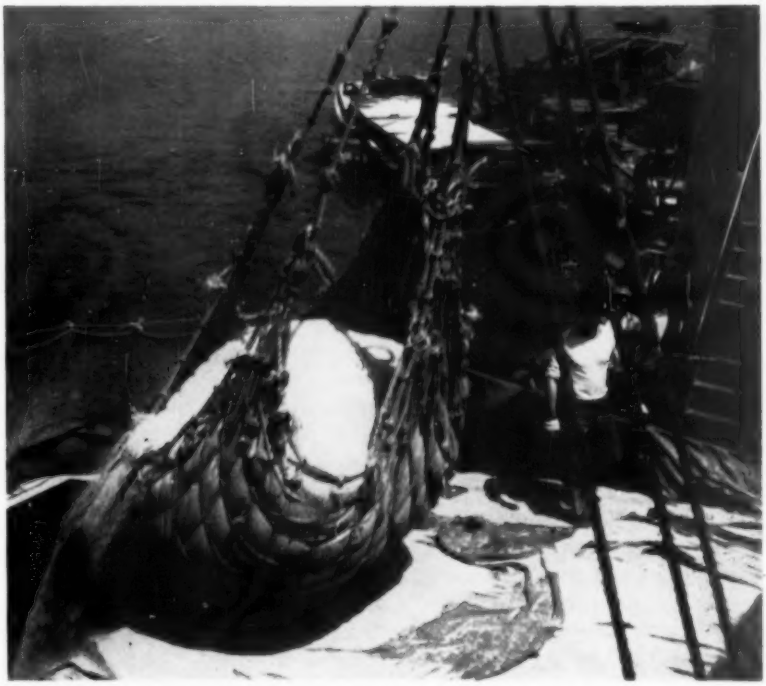
The research and extension services are administered by the Agricultural Improvement Bureau of the Ministry of Agriculture and Forestry.

Prefectural experiment stations are financed mainly by the prefectural governments and partly by grants from the national government for specific research projects. Prefectural governments carry out extension services under the guidance of the Agricultural Improvement Bureau, and receive subsidies covering two-thirds of the salaries of extension personnel.

Land Development

As a means of increasing or at least maintaining the present level of agricultural production, the government maintains a lively interest in developing new land and improving already-cultivated land.

Each year in Japan large areas of cultivated land are damaged by flood, earthquake, or other natural disasters. In addition, about 50,000 acres are more or less permanently lost from agriculture by transfer to other uses, such as industrial and urban residential development, highway development, or even by complete abandonment as submarginal.



Unloading U.S. wheat in Tokyo harbor. In line with government policy to encourage adequate diets, Japanese are eating more wheat products.

There remains little land suitable for reclamation in Japan. But currently four major projects are either in progress or on the drawing boards, which, reportedly, will bring into use about 140,000 acres of new land and improve about 75,000 acres of existing cultivated land.

Large-scale projects are undertaken by national and prefectural governments, and smaller projects, with the aid of government subsidy and supervision, by land improvement districts organized by farmers in the respective areas. Limited funds are retarding land development in Japan. However, a substantial portion of the funds loaned to the Japanese Government by the United States as a part of Public Law 480 transactions is being devoted to land reclamation and improvement. The International Bank for Reconstruction and Development has also made a loan in support of these projects.

The system of land tenure in Japan underwent major reform after World War II under authority of two complementary statutes enacted in October 1946 and now known collectively as the Land Reform Law. The Land Reform Law abolished absentee landlordism and determined limits on the amount of land that could be held by resident landlords and by owner-operators. The law set forth guides to terms of purchase and sale, methods of buying and selling, and procedures for appeal and arbitration.

Under authority of this law, the government purchased approximately 5 million acres and resold to eligible buyers. As a result of the reform, 88 percent of all farmers now own all or more than half of the land they cultivate, and the proportion of cultivated land that is tenant-operated has declined from 46 percent to 10 percent. For those who continue to rent the land they cultivate, the conditions of tenancy have been much improved.

Dietary Improvement

In the Japanese diet, starches furnish over 70 percent of total calories. Consumption of such protective foods as fruits and vegetables is limited.

Consumption of proteins, especially high-quality proteins, is also low.

Ever since the war the government has taken increasing interest in nutrition. Various lunch programs, including the school lunch program, have been established. Much emphasis has been given to promoting wheat products and milk. But considerable educational effort will be required to induce changes in diet. Much also depends upon economic development in Japan. Foods that improve the quality of diet are relatively expensive, and expanded consumption cannot outpace increases in family incomes.

When dietary improvement becomes a real possibility, Japan will require a greater diversity of foodstuffs as well as a much larger supply. Dependence on imports will be greater than otherwise. Thus, the government's policy regarding nutrition is significant to the United States and other food-exporting countries from the standpoint of future trade.

Industrial Development

Measures to promote the expansion and modernization of industry need not be cited here. It is sufficient to note three points. First, only as alternative urban employment reduces the farm population can agriculture expect a real increase in prosperity. Second, an expanded industry will require agricultural raw materials in larger volume; since these are mostly imported, the United States is interested in the prospective growth of such trade. And, third, increased productivity with consequent increased purchasing power per family will stimulate demand for food and for goods manufactured from agricultural raw materials.

Foreign Trade Promotion

Japan is a processing nation dependent upon imports for substantial quantities of food and raw materials. A thriving export trade is essential to the maintenance of a large volume of imports. In general, restrictions on imports of food and raw materials are held to a minimum to insure adequate supplies at lowest possible cost as a spur to industry and as aid in the competitive position of export goods.

The current level of Japan's tariff is considered moderate. Duties on basic agricultural commodities are low, and for some items; even these low duties have been exempted under Cabinet Order. The import duty on tobacco is 355 percent ad valorem. It is not imposed, however, since all tobacco is imported by the Monopoly Corporation or by its authorized importers.

Because Japan has experienced difficulty in balancing its merchandise account since World War II, the government has imposed restrictions on the use of foreign exchange. All commercial imports are subject to licensing. Food and basic raw materials are given first priority. Under the foreign exchange budget, established semiannually, there are three types of import systems.

Under the Automatic Approval system, licenses for specified commodities are issued on application. There is no value limit for any commodity on the Automatic Approval list, but there may be restrictions as to area or countries from which imports may be made. Licenses are almost always approved but may be suspended if the exchange allocated for a specific commodity becomes exhausted.

The Funds Allocation system is far more restrictive than the AA system as to the amount of imports to be allowed and the source from which purchases may be made. Furthermore, applications are accepted only during specified periods.

Under the Global Quota system, allocations are made by commodity only, without regard to the possible source of imports.

Japan has had bilateral trade agreements with as many as 20 or 25 countries. These may be renewed from time to time. Many of them provide for trade in agricultural products, but not necessarily in specific amounts. Consequently, it is impossible to determine what proportion of Japan's imports of individual commodities may be handled through formal trade agreements. Japan participates in the International Wheat Agreement. Annual imports under the Agreement have been 1 million metric tons.

Japanese exports of agricultural commodities are small and consist of items not generally competitive with U.S. exports. Japan's export promotion measures are significant to U.S. agriculture primarily from the standpoint of prospective increases in foreign exchange earnings, part of which may be used to finance imports of agricultural products. The national government's subsidies for trade promotion totaled $2.6 million in 1956—but indirect governmental assistance is probably of greater significance. It consists chiefly of special taxation measures which permit exporters and manufacturers to deduct a large portion of their export earnings from income tax calculations, and special low-interest-rate loans to finance exports of finished products and imports of designated raw materials.

The Background

Ninety-one million people on ninety-one million acres—this is Japan. Only 13.3 million acres are cultivated and, though yields are high, production of food is 20 percent short of requirements and output of agricultural raw materials is even less adequate. At the same time, 13.3 million acres broken into 6.1 million farms cannot provide the majority of farm families with a satisfactory level of living. High yields cannot overcome the handicap of small holdings. Consequently, about 60 percent of all farm households depend upon income from nonagricultural employment.

Agriculture must seek further improvements and expansion. But the farm resource base of Japan cannot be much enlarged and, barring new revolutionary production techniques, there is little prospect for substantially augmenting the current level of agricultural output. Also, as long as the present ratio of arable land to the farm population remains unchanged, significant improvements in the economic level of the farmers are problematical. A lasting solution to this problem can come primarily through expanded industry and commerce of such vitality as to attract surplus rural labor and eventually reduce the farm population.

Thus, all developments in the formulation of economic policy are of concern to Japanese agriculture. And those aspects of policy that appear to be of least immediate interest to agriculture may by indirection yield the greatest ultimate benefits to the Japanese rural population.

Khrushchev's

New Challenge To U.S. Agriculture

U.S. agriculture has recently been confronted with a new challenge—the well-publicized statements of Soviet Party leader Nikita Khrushchev that the Soviet Union within a few years would not only reach but might even overtake the United States in per capita production of meat and dairy products.

Perhaps the most intriguing aspect of this challenge is the fact that it comes from a country long plagued by shortages. Animal husbandry particularly was considered until recently, even by Soviet leaders, as the weak link in the country's collective agriculture. Yet now a race has been announced in this segment of agriculture between the USSR and the United States.

U.S.-Soviet Competition

Agricultural competition between the two nations began many years ago. It was manifested primarily in the international grain trade, in which Russia, before World War I, was preeminent. This competition did not prevent peaceful coexistence, to use a favorite Soviet term. The United States introduced many valuable wheat varieties from Russia, especially the Durum strains. At the same time, American cotton varieties provided the foundation on which the Russian cotton-growing industry was developed. Meanwhile, Russia continued to buy U.S. cotton.

After the Communist Revolution, Russia ceased to be a serious competitor in the world grain market or a large purchaser of U.S. cotton. Last year, the Soviet Union even imported close to 15 million bushels of wheat from Canada, with which it has a 3-year import agreement. And this, despite the great acreage expansion beyond the Urals.

In 1955, however, corn entered the competitive picture. Inspired by the U.S. livestock industry, based on corn feeding, and troubled by the inadequate feed supply, Khrushchev and his colleagues decided that the Soviet corn area should be increased from about 10 million acres to more than 70 million. Insufficient preparation was made in terms of research, farmers' know-how, fertilizers, machinery, and so forth. Nor were climatic conditions suitable for corn growing fully considered. So while the corn area was greatly expanded in 1955-56, production results in many cases were far below the original expectations. The Kremlin has now lost some of its enthusiasm for corn, for the 1957 corn area appears to be considerably smaller than the large 1956 area of 59 million acres.

New Campaign

In connection with the current campaign to reach, or overtake, the United States in per capita production of dairy products and meat, Khrushchev, in his May 22 speech in Leningrad, gave out the following data on these commodities:

Commodity	USSR		United States	
	Kg.[1]	Lb.	Kg.[1]	Lb.
Milk	245.0	540.1	343.0	756.2
Butter[2]	2.8	6.2	3.8	8.4
Meat[3]	32.3	71.2	102.3	225.5

[1] 1 kilogram = 2.2046 pounds.
[2] Presumably factory production.
[3] Slaughter weight. Includes also poultry, offals, and lard.
Source: Khrushchev's speech in Leningrad on May 22, 1957. (Pravda, May 24, 1957)

While the figures for the United States are approximately correct, those for the Soviet Union appear to be too high for milk and meat and are inconsistent with previously revealed information. The extent of the exaggeration cannot be definitely determined, but it is probably of the order of 15 to 25 percent. Perhaps the high meat figure is related to the change in 1953 of the livestock enumeration date from January 1 to October 1, when livestock numbers are usually higher.

Even on Khrushchev's own showing, the United States produced in 1956 more than three times as much meat per capita and 40 percent more milk than the Soviet Union. But he asserts the Soviet Union can overtake the United States in per capita milk production in 1958 and by 1960 or 1961 reach the level of U.S. meat production, notwithstanding the rapid population growth.

These goals were set despite the fact that meat production increased by only 11 percent and milk production by 35 percent during the 3 years between 1954-56—a period when a strenuous effort was made by the Soviets to boost the output of animal products. Moreover, the big increase in meat production took place in 1954 and was insignificant in 1955 and 1956.

Thus, it is obvious that an exceedingly large increase in meat production would be necessary during the years 1957-61 to achieve Khrushchev's goal. What Russian economists thought of it, Khrushchev rebukingly disclosed. Not before 1975, according to their estimates, could the meat target set for 1960 or 1961 be achieved.

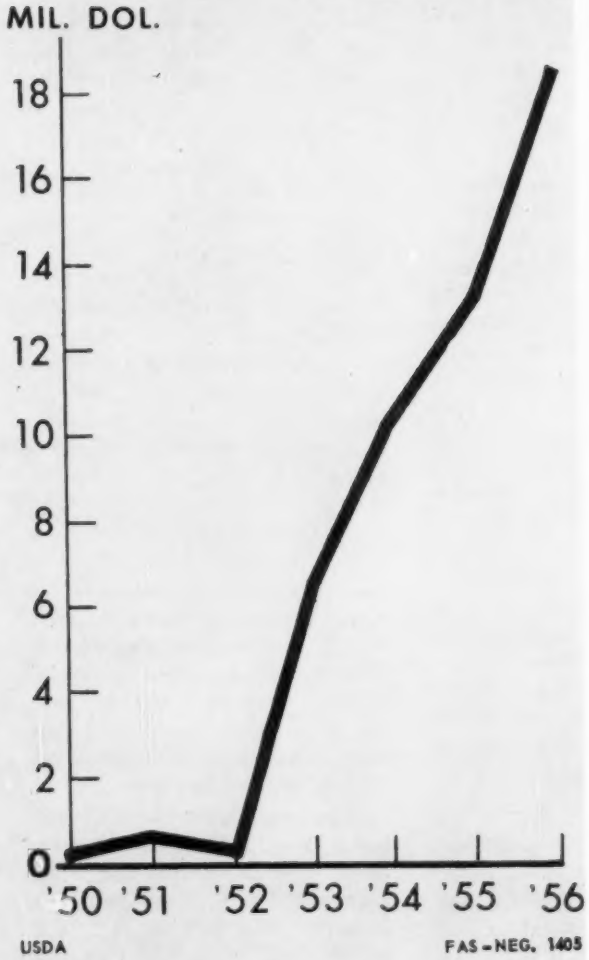
With regard to milk too, a much higher rate of growth than was manifested, even during the best recent years, would be necessary during the years 1957-58 if the USSR is to catch up with the United States. The increase in butter output will, of course, depend on what happens to milk. But these calculations are based on the assumption that Soviet production figures are correct—which is doubtful and which makes Khrushchev's goal even more unrealistic.

Obstacles

A number of handicaps militate

(Continued on page 18)

U.S. Exports of Variety Meats Are Zooming



BY JOHN RAY

Livestock and Meat Division

Foreign Agricultural Service

Variety meats, the poor relations of the U.S. meat trade, have risen from a position of relative unimportance a few years ago to a multi-million-dollar source of cash income for American farmers and exporters.

The reason for these skyrocketing foreign sales is U.S. prosperity. The American people are using this prosperity to procure for themselves the good things of life—including meat. Last year our meat consumption averaged around 164 pounds per person, the highest on record.

To produce the prodigious tonnage of meat required to supply the American people at this high level, unprecedented numbers of cattle, hogs, and sheep are being slaughtered. And since science has yet to develop an animal which is solid meat, each one that is slaughtered produces its quota of byproducts—hides, bones, hair, and the so-called variety meats.

Unfortunately, the edible secondary products, such as tongue, liver, sweetbreads and tripe, though highly nutritious, are not in strong demand in this country. The average American wants beef, pork, or lamb, and none of these fancy dishes, thank you. And even though trade organizations of the meat industry are trying to break down this prejudice, the per capita consumption of variety meats has remained constant. The supply is rising as our slaughterhouses are filling our markets with choice cuts of meat. Were it not for our overseas customers, U.S. meat producers would be facing a critical situation of oversupply.

But abroad, especially in Europe, variety meats are greatly relished. There, the growing population and rising standard of living have greatly increased demand. Thus surpluses have not been built up in this country, forcing prices to low levels, for we have been able to increase exports to supply this foreign demand.

The gain to the American producer has been significant. During 1956 the United States sold $18 million worth of variety meats abroad, becoming the world's largest exporter of these products. Moreover, our export sales of variety meats made their own way by competitive pricing and quality.

Yet even though our variety meat products are of high quality, trade in such highly perishable commodities is often difficult and expensive. Problems in transportation and storage are ever present. Trade barriers and unnecessary sanitary restrictions are especially troublesome; and very often high level diplomatic talks have been required to remove these barriers and restrictions. But because of the strong demand and the certainty of supply, the impetus to trade is real. So long as the American people continue to spend their food dollars for meat, the chances are favorable that the rest of the world will buy the edible byproducts.

The Argentine Soybean Venture

By VOLOROUS H. HOUGEN
Fats and Oils Division
Foreign Agricultural Service

When I was in Argentina this summer, I saw evidence that soybeans may one day join sunflower, cottonseed, and flaxseed as an important oilseed crop in that country.

This is not the first effort Argentina has made to grow soybeans. But it is the first scientifically planned introduction of the crop. In recent years Japanese colonists in Misiones Province, who brought seed with them, have grown a few thousand tons for their own food; but this subtropical area does not have the best kind of soil and climate for soybeans.

Now, however, Argentine commercial interests have undertaken the introduction of soybeans on a large scale. They believe the crop may be more profitable than cotton, wheat, corn, and sunflower in certain marginal districts.

The area selected for immediate development—about the size of Kansas—includes all of Santa Fe Province and parts of adjacent Provinces. It extends into important areas of wheat and corn production on the south and cotton on the northeast. Sunflower and flaxseed also grow here.

Production efforts for the 1956-57 crop centered in northwestern Santa Fe and southwestern Chaco Provinces. Last November, although 19,000 acres had been prepared for planting, the season was so dry that only about 3,600 acres actually were planted, and much of the 1,000 tons of seed specially imported from the United States remained unused. But the expected yields of 20 to 21 bushels per acre will provide pure seed for planting this fall, plus some beans for the market.

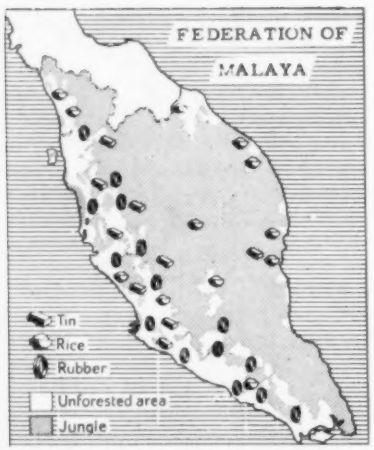
It was clear to me that careful planning has gone into this program. Argentine agronomists and soil scientists, trained in the United States, are analyzing soils and climatic conditions in cooperation with the Ministerio de Agricultura y Ganadería. Economic analyses are establishing the level of performance soybeans must reach if they are to displace other crops. And at government research centers and experiment stations, soybean varieties are receiving careful tests. In 1956-57, 74 varieties were on trial in different parts of the country. Those performing satisfactorily will receive a further test in field plantings. When they have proved their adaptability to local conditions, a production program will be undertaken with farmers.

Like the varieties, the farmers themselves are carefully selected. Each gets not only a contract for the purchase of his crop, but seed, inoculants, fertilizers, and technical guidance. Five times during the 1956-57 crop year, each grower received instruction and practical demonstration, covering everything from preparing the seedbed, planting, cultivating, and controlling diseases and insects, to harvesting the crop. Successful producers are expected to help train others in future years.

The present objective is to produce 15 million bushels of soybeans. Technicians expect that by 1959 experience will permit the establishment of production throughout the corn areas and many of the wheat areas of Santa Fe Province. They claim that soybeans will partly replace not only these two crops, but cotton and sunflower also, in the production pattern of this area.

Soybeans have a long history of misfortune in Argentina, dating from around 1882. The end of the century saw good results from plantings in La Rioja Province; and in the early 1900's the Córdoba Agricultural College reported successful trials. About this time experiments in using soybeans for fattening steers brought favorable results. In 1915, very large yields were reported in Córdoba Province. Seed was increased, and in 1924 the Ministry of Agriculture distributed it to farmers, on the theory that drought resistance and value as an animal feed would make soybeans a useful crop. This program did not, however, succeed in establishing the crop on a sound footing in any area.

In the early 1930's a commercial organization imported 300 tons of soybean seed, and about 14,800 acres were planted. However, unsatisfactory yields led to low returns, which gave little incentive for continued production. In 1941 the Instituto Argentino del Suelo encouraged a commercial firm to make further seed imports. This firm sold the seed and took an option to buy the crops. But again production failed to come up to expectations, apparently because growers did not know when to plant and how to grow the crop. In the crop year 1942-43, about 12,300 acres yielded only about 117,600 bushels of soybeans—10.4 bushels per acre, compared with average U.S. yields of about 20 bushels in 1951-55.



Malaya Becomes Newest Nation

On August 31 the Federation of Malaya became an independent member of the British Commonwealth.

Malaya produces almost half of the world's rubber and about a third of the world's tin. Its exports of these vital raw materials make it an important partner in U.S. industry—and a top contributor of dollars to the sterling bloc. But, even though Malaya remains in that bloc, there are signs that it may claim more of its own dollar earnings for purchases in hard-currency areas. In that case, U.S. farmers could bid for a larger share of Malaya's imports of rice, tobacco, dairy products, wheat flour, and fruit.

Udon retail stores are crowded at lunch hour. A traditional Japanese dish, the hot noodles eaten with soy sauce and onions costs about 7 cents a bowl. *Right.* Porter leaves restaurant to deliver bowls of Udon to customers' houses.

Japan's Liking For Noodles Benefits U.S. Wheat Growers

Walk down any street in a Japanese city, and if you are a foreigner, you'll be fascinated with the "Udon" porters. Riding bicycles, they use one hand to steer through heavy traffic and the other to balance from three to five tiers of trays filled with steaming bowls of hot noodles—or Udon, as the Japanese call it.

Udon enjoys great popularity in Japan. In its simplest and cheapest form it's nothing more than boiled noodles with soy sauce, though it is often eaten with eggs, ham, boiled fish paste, shrimp, and other delicacies. Udon retail shops are everywhere, and the tasty noodles furnish quick lunch at train stops and curbside stalls.

This liking for noodles is paying high dividends for U.S. wheat growers. Japan's annual consumption of both domestic and imported wheat flour has soared to 2.1 million metric tons. Some 42 percent of this is used by noodle makers as against 58 percent by the manufacturers of bread, macaroni, and crackers. In terms of U.S. soft wheat, this means approximately 570,000 tons consumed in noodles each year—a third for Udon, or wet noodles, and the remainder for dry noodles, used in other typical Japanese and Chinese dishes.

Promotional help is being given the Udon retailers and manufacturers from two American sources. Under P.L. 480, foreign currency accruing from sales of U.S. surplus products abroad may be used to develop foreign markets for U.S. products. Thus, under an agreement signed last March with the Oregon Wheat Growers Association, the equivalent of $200,000 has been earmarked for expanding the market for U.S. wheat in Japan. Of this, $40,000—plus $10,000 contributed by Japan's Udon associations—will be used to expand sales of Udon.

With the help of the Oregon Wheat Growers Association, a nationwide sales campaign is starting this fall. Its goal is twofold: to raise the nutritional level of the Japanese people and to expand the market for U.S. wheat.

OEEC Estimates West Europe's Demand for Farm Products[1]

Expenditure for food in the 17 OEEC countries[2] will increase by close to 13 percent during the period 1956-60, according to the eighth annual report of the Organization for European Economic Cooperation.[3]

This is a less rapid growth than during the period 1950-55. It is estimated that per capita incomes will rise more slowly over the next 5 years than in the previous period. Also, any addition to the comparatively high level of income already attained will entail a proportionately smaller increase in the amounts spent on food. Food consumption is expected to grow only two-thirds as fast as total consumption, in contrast to the years 1951-55, when it rose four-fifths as fast.

Changes in the demand for food naturally vary from country to country, according to level of income and growth in both income and population. In three Mediterranean countries (Greece, Portugal, Turkey), the expected increase in the expenditure for food is 26 percent, double the average rate for the area as a whole. The low income levels in these countries cause a relatively large proportion of additional income to be spent for food. And in both Greece and Turkey, substantial increases in population are expected.

In other parts of Europe, increases in population will be small and consequently will play a lesser part in stimulating the demand for food. In Germany, the further rise in income is expected to be accompanied by rapidly increasing consumption, though at a slower pace than during 1950-55.

Most of the total increase in the demand for food will be accounted for by a few countries only: Germany, France, Italy, and Turkey together will probably make up 75 percent of the total growth in food expenditure by 1960.

The rise in the demand for food will affect various commodities unequally. The expenditure for cereals, oils, fats, and vegetables is expected to go up between 4 and 10 percent, less than the average for all food; that for sugar and dairy products by about the average, 12 to 13 percent; and that for fruit and meat by more than the average, 15 to 19 percent. Expenditures for tobacco are anticipated to rise by as much as those for food in general. Expenditures for clothing, closely following those for total consumption, are expected to rise by some 18 percent.

Increased demand will entail larger imports of farm products, but their rise will be limited by the fact that the additional demand will be concentrated on products suited to European production.

To quote the report, "net imports of bread grains are . . . assumed to rise about as fast as consumption," those of coarse grains "rather more rapidly than the consumption of meat and dairy products." It is estimated that "a fairly large part" of the increased sugar requirements will be met from abroad. Net imports of fruits, nuts, and vegetables will probably increase, but "this trend may well be reversed" by 1960, provided the southern European countries are able to expand their trade sufficiently. This, in turn, presupposes considerable investments in their canning and food-processing plants.

Tobacco imports, according to the OEEC estimates, will increase but slightly, with the demand for non-European tobacco representing a "somewhat smaller proportion" of the total than in 1955. This, it is thought, will be caused by big increases in consumption in Greece and Turkey and by the continued shift in German consumer preference to oriental tobacco.

"Cotton imports will probably increase only slowly" because of limited outlets for European cotton textiles, the growing use of synthetic fibers, and the possible increase in cotton production in Greece, Italy, and Turkey. Also, fats and oils imports "may increase rather slowly," since their use for industrial purposes now meets with strong competition from chemical substitutes. Finally, "imports of tea, coffee, and cacao should increase *pari passu* with demand."

All in all, the report states, net agricultural imports from outside the OEEC area "may rise by about 10 percent between 1955 and 1960 (6 percent for "competing products" such as grains, livestock products, sugar, fruits, and vegetables; 10 percent for "partly competing products" such as cotton and wool, tobacco, oilseeds; and 18 percent for "noncompeting products" such as coffee, cocoa, and tea). This estimate assumes some further reduction of agricultural protectionism in Europe." And it compares with OEEC's estimate of a 14-percent increase, from 1955 to 1960, in domestic farm output in the OEEC area.

The OEEC, however, points out that its estimated increases in demand and in imports should be regarded as maximum figures. For as total income and expenditures rise, more money is spent on food. But part of that increase goes into purchasing more highly processed, better-packaged foods and those of higher grades. Thus, when consumers spend more for food, the farmer does not necessarily sell more food.

Taking this fact into account would modify OEEC's estimates considerably at the producer or import level.

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[1]European Analysis Branch, Foreign Agricultural Service.

[2]Austria, Belgium, Denmark, Federal Republic of Germany, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and United Kingdom.

[3]*Europe in 1960*, Vol. II., OEEC, Paris, 1957.

Village of Collabamba, Bolivia, produces wheat and corn. Bolivia's agriculture is not highly developed, and about half the country's food needs are imported.

Bolivia Lays Groundwork For More Productive Farming

By John DeCourcy
Latin American Analysis Branch
Foreign Agricultural Service

A new monetary stabilization program and a stepped-up economic aid effort are laying the groundwork that may help Bolivia partly overcome its physical disadvantages and eventually supply more of its food and fiber needs.

Bolivia's rugged terrain makes the movement of people and goods a major problem. Although two-thirds of the population lives in rural areas, agriculture is not highly developed, and supplies no more than half of the country's present food needs. Bolivia imports the greatest part of its annual consumption of wheat, rice, flour, sugar, milk, livestock, edible oils, and cotton. These imports cost some $25 million a year—between one-half and one-third of its average yearly foreign exchange income.

Traditionally, Bolivia has exported the products of its mines—first silver and gold, later tin and other base metals—to pay for imports of food and other agricultural commodities. In recent years, grants of wheat, lard, and other items have had to supplement the regular imports.

Traditionally, too, mines or industries connected with them have absorbed most of the investments of foreigners and Bolivians alike. Thus economic development and diversification have come but slowly to most of the country outside the mining sector. Antiquated farming methods and land tenure systems also held back progress in agricultural development. In 1952, land reform was initiated, but thus far the confusion accompanying this move has not been settled.

The Land and Its Possibilities

About 80 percent of Bolivia's 3 million people live in the Altiplano or highlands and in the deep valleys called Yungas, on less than two-fifths of the country's total land surface.

In the Altiplano, rainfall is about 20 inches a year, and the climate is generally cold. Here subsistence farmers, using only about 5 percent of the tillable land, produce potatoes, barley, and quinoa—a millet-like grain—and tend small flocks of sheep and llamas. They use primitive methods of cultivation, and the soils are eroded and depleted.

East of the Altiplano run the series of deep valleys known as Yungas. Here the climate is mild and the rainfall abundant, permitting a far wider range of agriculture than on the Altiplano. This area produces wheat, corn, vegetables, citrus, other fruits, coffee, and cacao, as well as the coca leaf.

Around Santa Cruz lies a subtropical lowland area with possibilities for increased production of sugar, rice, coffee, corn, livestock, oilseeds, and fibers—but too few farmers, despite government efforts to colonize it. Most of the colonies failed, but several of the older ones have survived, and a colony of Okinawans appears to be making headway after a difficult start. The government has another program under way to resettle farm people from the Altiplano in this area. The Army uses battalions of draftees to clear land in the lowlands for one year. At the end of the year they are offered about 50 acres of the land if they will stay and farm it. Some do.

Drawbacks to Expansion

A great handicap to the development of new lands has been the lack of roads connecting potential surplus areas in the lowlands with population centers in the highlands. Another deterrent is the perennial shortage of capital for development projects. Foreign investment has amounted to practically nothing in the past few years, while a good deal of Bolivia's private capital has been in flight.

The agrarian reform that the new government inaugurated in 1952 has thus far failed to achieve all that was expected. Subsistence farmers who re-

ceived land are not yet equipped to maintain a steady flow of agricultural produce to market. Instead, they have been producing only enough for themselves. Also, the uncertainty of tenure created by the reform program has led other landowners to hesitate before expanding their output. Some have even neglected their lands.

Economic and Technical Help

By 1954 the Bolivian economic situation had become critical and the country was facing apparent food shortages. The government asked for and received stepped-up economic aid and technical assistance from the United States. Thousands of dollars worth of U.S. surplus food began entering Bolivia to supplement domestic production. At the same time, U.S. technicians working with the Bolivian Agricultural Service (SAI) strengthened the program for increasing domestic production.

Experiment stations in various parts of the country worked toward improving the output of crops being brought into the country in quantity—sugar, rice, wheat, dairy products, edible oils, and fibers; and livestock benefited from work on pastures and forage crops. The program also looked to an increase in the production of export items like coffee, cacao, rubber, brazil nuts, and tung nuts.

The development of transportation was stepped up, with encouraging results. Today all the roads under the Road Service's maintenance are passable throughout the year. In September 1954, the long-awaited highway connecting Cochabamba with Santa Cruz was opened. For the first time, year-round motor traffic could move from the lowlands to the Altiplano population centers. Still unresolved, however, is the problem of all-weather roads to the main cattle and rubber-producing provinces of the Beni and Pando. During the rainy season these areas are accessible only by air.

Monetary Stabilization

In spite of the aid given to Bolivian agriculture and the progress it encouraged, market-directed farm production decreased and food imports continued to mount. The official rate of exchange for imports of prime necessities and goods for official use was held at Bs. 190 to the U.S. dollar while the free market value declined steadily. Because the Bolivian Government did most of the importing, the bulk of the country's imports were at this low rate of exchange. Thus as the currency depreciated, imported items—including agricultural products—entered at prices further and further below their actual value. At the peak of the inflation, the value of the boliviano reached its lowest point—almost Bs. 14,000 to U.S. $1.00. Reexporting became highly profitable and partially explained the shortage of food in the markets. Speculative hoarding also contributed. Farmers, not being able to meet the competition of imported foodstuffs, either reduced their production of the commodities being imported, or switched to crops that were not being imported. Farmers in the wheat-producing areas planted corn because it brought a higher price. Sugar production was diverted to alcohol.

The Bolivian Government realized that something had to be done to correct the policies that were feeding the monetary inflation and other economic dislocations—to the detriment of the whole economy. On December 16, 1956, the government put into effect a drastic plan, implemented by a series of decrees. Bearing directly on agriculture were those that—

- Froze salaries and wages for one year and made adjustments for cost-of-living increases;
- stopped the importation of articles at subsidized prices;
- established a rate of exchange based on the free market rate;
- removed price controls;
- set up a schedule of royalties in

Photos courtesy of John Wells, Millers Nat. Fed.

Flock of native sheep crossbred with purebred rams. Selective breeding programs have improved stock in both size and quality of wool.

Trees are left to rot on newly cleared land in the subtropical Santa Cruz area. Corn is planted right away.

lieu of other taxes for traditional exports; and

- removed import and export restrictions.

Producer and consumer prices immediately began to rise. Various labor factions displayed some discontent; but foodstuffs, so scarce in the markets a few days before the program began, reappeared as if by magic. As the market forces of supply and demand began to work, consumer prices dropped sharply, though they are still above the former controlled prices.

It will probably be another year before a higher volume of market-directed foodstuffs can reflect the higher producer prices. Most crops had already been planted when the stabilization program went into effect.

Other Problems

Other considerations besides prices affect the farmers' ability to produce for the local market. The subsistence farmers, who comprise most of the agricultural population, are for the most part ex-tenants. They do not yet have the know-how for independent farm management, nor have they had the incentive to produce more than their own requirements. Many of the large landowners, concerned over uncertainty of ownership, have neglected or even abandoned their operations. New areas such as Santa Cruz cannot supply immediate production increases, for the colonists are not yet fully established and cannot grow much more than enough to meet their own needs. Also, costs of production and transport make it difficult to meet the competition of imported foodstuffs. Thus, it is the older farm areas that must provide any immediate increases in production, by the use of new varieties and better methods of cultivation.

Bolivia has yet to work out an adequate system of transportation and distribution, so that some time still remains before the country can reach its goal of being able to feed itself. Despite this and other problems still to be overcome, Bolivia has a sizable agricultural potential. Given a stable economy and continued attention to agricultural development, production could more nearly meet domestic needs.

Khrushchev's Policy

(Continued from page 11)

against a rapid increase of livestock production in the Soviet Union. Perhaps the most important of these is the feed supply. This has been a perennial weak spot in the Soviet livestock industry. The cutback in 1957 corn acreage compared with 1956 is symptomatic, for it was on the high expansion of corn that Khrushchev relied for an easy solution of the feed problem. And certainly the wide weather fluctuations in the Soviet Union, from year to year, and their effect on the feed supply are not to be overlooked.

Labor is another problem. For the Soviets, the task is not made easier by the fact that from three to five workers are required to do the job one farm laborer would do in the United States. More than 40 percent of the Soviet population was engaged in agriculture in 1956 as against less than 15 percent in the United States.

A further handicap is the USSR's lack of quality stock. There is also a shortage and backwardness in refrigeration and processing equipment, according to qualified observers.

Stakhanovist Objective

Apparently, Khrushchev's former associates in Soviet top leadership were skeptical of his latest agricultural targets, around which a mass campaign of implementation, with all the customary Soviet publicity, was organized. Yet though unrealistic, these targets may fulfill a useful purpose from the standpoint of the Khrushchev administration. They involve a sort of race with the chief Soviet adversary in the Free World, the United States. And they also hold out a promise for an improved standard of living. Thus they could serve as a propagandist focus for rallying the Russian farmers and for whipping up their enthusiasm for expanding production. Should that be the case, the United States would be playing the role, albeit a vicarious one, of a Stakhanovist pacemaker stimulating Russian farmers to greater exertions. And this may be the objective that Khrushchev had in mind in launching this strange new campaign.

New Zealand-U.K. Trade Agreement

This spring, representatives of the United Kingdom and New Zealand Governments examined the whole field of trade relations between the two countries. Result was the signing of a new trade agreement.

Chief aim of New Zealand in the talks was to safeguard the position of its exports of farm products in the United Kingdom market—and of these, meat and dairy products caused most concern. New Zealand has felt for some time that currency inflation since World War II has nullified much of the original effectiveness of the preferential tariff benefits obtained from the Ottawa Agreement of 1932. As the United Kingdom representatives explained, their government's international commitments prevent it from altering tariff preferences to protect New Zealand's interests. The United Kingdom did, however, make certain changes in the Ottawa Agreement to ease the situation for New Zealand.

The new pact's chief provisions:

- For 10 years—or until the Ottawa Agreement is canceled, whichever is sooner—the United Kingdom will not impose quantitative or other import restrictions on New Zealand butter, cheese, skim and buttermilk powders, casein, and chilled and frozen pork. New Zealand is also guaranteed duty-free entry for its dairy products.
- The two governments will consult in November each year on their agricultural and marketing policies, the food import policy of the United Kingdom, and related matters. They will keep each other informed on farm production trends; and, in formulating their policies on agricultural production, marketing, and imports, each will fully consider the other's views.
- Both governments will continue supporting the work of the Commonwealth Meat Study Group and its quarterly review of market prospects.
- The United Kingdom will be ready to consult with New Zealand should circumstances arise that seriously threaten New Zealand's meat trade.

West German Policy

. . . on domestic agricultural supports

Part II

Germany's agriculture produces little for the world market, but it does supply a large part of the country's food needs. This important position it holds as contributor to the national income is strengthened by a deeply rooted general philosophy that agriculture is a way of life that forms a conservative, stable element of good citizenship, and therefore is entitled to special policy consideration. The political influence of German agriculture has always been considerable, owing in large measure to the course of German history.

Policy Goals

On September 5, 1955, the German Parliament promulgated a Basic Law for Agriculture which aims to increase agricultural productivity and to compensate farmers for fundamental disadvantages of their position compared with other sectors of the economy.[1]

The law implies that parity income with other economic groups is a goal to be *gradually* approached as productivity rises. An annual review by the government, prescribed by that law, reports on the economic and financial situation of agriculture and, if necessary, proposes legislation and administrative measures to counteract unsatisfactory developments.

As in most other countries the most important policy goal of agricultural management in Germany is to increase and maintain the income derived from agricultural pursuits—a central purpose so broad and self-evident that it is almost commonplace to mention it.

That broad goal is to be achieved through two categories of measures: (1) Those that create reasonably good price-cost relationships on the basis of present production, and (2) those that improve, through technical rationalization, existing production functions in order that output per unit of input may increase and in turn improve price-cost relationships. Naturally, there are also some measures that directly provide income support and relief for farmers whose market share is so small that their farming approaches the subsistence type.

Internal Regulation

Price Supports, Market Regulation, and Subsidies.—Since its currency reform in 1948, West Germany has to a large extent restored a market economy. Yet, while direct regimentation of production and consumption has been abolished, agriculture continues to be protected in significant degree. For example, producer prices are fixed for grains, sugar beets, rapeseed and those forage seeds whose multiplication is subsidized; producers receive subsidies for flax, hemp, high-quality seeds, and recently for eggs also and, under the 1957 "Green Plan," for milk. Retail prices for drinking milk are fixed. Prices for most other food and agricultural products are indirectly regulated through import control, import equalization fees, and storage operations.

Market regulation is mainly performed by four import and stocking agencies. They have regulatory functions on a large scale for cereals and feedingstuffs, sugar, butter, fats and oils, and livestock and meat. Their main task is to maintain prices for domestic producers at the desired level, by import control, storage operations, and otherwise. According to the law, however, they must also maintain a stable market for the consumer.

The costs of this program are borne by the Federal Treasury. For grains and sugar, the Treasury also disburses the subsidies on imports if products are sold on the domestic market at prices below the import price. If the selling price is higher, however—as it generally has been in recent years—the difference between the import price and the selling price, called equalization fee, is paid into the Treasury. These equalization fees are in addition to, or in place of, the regular import tariffs. They are variable, and depend on the varying price situation for imports in relation to the price level desired for the domestic producer.

There is no market regulation for fruits and vegetables other than a so-called import calendar, which may exclude imports altogether for periods of flush domestic production, or an agreement with neighboring countries to the effect that their exports to Germany cannot be priced below a stipulated minimum. Nor is there a special market regulation for eggs, though the import and stocking agency for milk may arrange for stockpiling operations. There is no direct price regulation for meat; again, the internal price level is managed by controls over imports and by storage operations.

Those commodities that are regulated as to price and marketing are handled in various ways. Rye, wheat, and coarse grains are not directly subsidized since producer prices for them are fixed and thus act as support prices. The sugar beet price is fixed annually by decree, and distributors' margins and the retail prices for sugar are controlled. For milk the 1947 Green Plan provides a supplemental payment of 1 cent per liter to milk producers whose herds and dairying facilities meet certain quality standards. Since about 90 percent of the milk produced meets these conditions, the premium payment may be considered a general milk production subsidy. In addition,

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Prepared by the European Analysis Branch, Foreign Agricultural Service.

[1]See "First Annual Review of German Agricultural Law," FA, May 1956, p. 16, *and* "Germany's Second Green Plan," FA, May 1957, p. 9.

individual dairies have been given exclusive marketing privileges in described milksheds. As an offset to this somewhat monopolistic position of the milk processing industry, the retail price for ordinary fluid milk is fixed in order to protect consumers. Butter prices are free but are influenced by import and storage manipulation. The prices paid to producers of milk by the dairy establishments are so arranged that milk for liquid consumption and for processing yields about equal returns to the farmers. Transport costs over varying distances for liquid milk are also equalized. All these equalizations are effected by means of a levy on milk for liquid consumption fixed by law. The funds collected in this way are allocated to dairy plants mainly producing butter and cheese.

Another feature of market regulation is the compulsory admixture to margarine of domestic rape and turniprape oil, as well as domestic tallow. Under the Milk and Fat Marketing Law, all commercial producers of margarine are bound by special ordinance to admix 5 percent of the monthly pure fat ingredients of margarine in the form of domestic rape and turniprape oil and 1 percent of the annual pure fat ingredients in the form of domestic refined tallow.

Regulation of Production.—The production of tobacco and hops is controlled by acreage regulations. For sugar the cultivated area is determined by the growers' contracts with the beet factories, and these contracts in turn are determined by the quantities that factories sell on the home market. While the government at this time controls the sugar output of each factory as to distribution only, the Ministry does have the authority to specify, if need be, how much each factory may produce.

Indirect Aids

Credit and Taxes.—German agriculture before the war had at its disposal a well-organized system of agricultural credit—long term, medium term, and short term. It was administered by institutions of long and honorable standing. Credit cooperatives played a very large role in Germany, and during the years of crisis and in the Great Depression were liberally reinforced by public funds entrusted to the Central Cooperative Bank and its subdivisions.

While the credit system is perhaps not as extensive and comprehensive as it used to be, it is an efficient system for making available agricultural credit on reasonable terms. Its operational facilities are considered adequate for all requirements, but the supply of long-term funds is limited owing to the tight position of the German capital market. Credits are being granted at from 4 to 5 percent interest for soil improvement, drainage, construction and improvement of farm buildings and of dairy plants, investments in horticulture, purchase of farm machinery on a cooperative basis, and so forth. Since interest rates in the capital market for long-term investments are still high, government funds are being used for agricultural investments, either directly or for subsidies to reduce interest rates.

The tax reform of January 1, 1955, by which the rates of income taxation were generally reduced, also granted favorable depreciation allowances for certain specified means of production in agriculture. The inheritance tax was also reduced, and a reduction of the turnover tax has been granted at the wholesale level for certain processed agricultural products. Furthermore, effective November 30, 1956, turnover taxes at the producers' level for sales of all agricultural commodities (including off-farm meat sales in form of whole carcasses, halves, and quarters) were repealed. Agricultural commodities in this sense includes viticultural, horticultural, piscicultural, and poultry products. The turnover tax was also repealed for certain goods and services, such as keeping of breeding sires, artificial insemination, milk testing control, artificial drying of crops. A recent tax increase for diesel oil is not applied to that used in agriculture. German authorities are of the opinion that these tax benefits for agriculture will increase agricultural investments.

Education and Extension.—In recent years the system of agricultural extension work in Germany has improved considerably. A larger number of extension workers and county agents have become available. Also arrangements have been made for raising the level of education of extension workers. Furthermore, technical education facilities for the farm population itself have been improved and extended. Both the government and the farm organizations are clearly aware of the need for further improvements along these lines.

Germany has a great tradition of agricultural research, which is carried on in many public and private institutions.

Land Reclamation and Consolidation of Scattered Holdings.—Projects of drainage and irrigation, flood control, some reclamation in coastal areas, and cultivation or afforestation of bog and wastelands are carried out as separate undertakings or as part of the consolidation of scattered holdings.

About 40 percent of Germany's agricultural area—14 million acres—is in need of consolidation. In recent years the pace of progress has gradually increased to around 500,000 acres a year. Requests at the present time far exceed the practical possibilities for their execution. Since land consolidation is linked with the improvement and relocation of individual farms outside of crowded villages, road construction, and enlargement of too-small farms, it is an expensive process. This fact, together with the shortage of technically skilled officials needed for this work, limits the scope of the government's activities in this field. Therefore, ways and means are looked for and practiced on a limited scale to use speedier, cheaper, less complicated, and less bureaucratic methods of land consolidation.

Certain parts of Western Germany, mainly the northern areas, have legislation providing that a farm can only be bequeathed to one heir as an undivided unit. That heir must indemnify joint heirs receiving no portion. In other Provinces the uneconomic subdivision of holdings through inheritance is being counteracted by the setting up of a special federal loan fund from which loans are made at low rates of interest to enable a principal heir to take over the farm in its en-

(Continued on page 21)

PEOPLE IN THE NEWS

Don Paarlberg to Be Assistant Secretary

Don Paarlberg has been appointed Assistant Secretary of Agriculture to succeed Earl L. Butz. Dr. Paarlberg is an agricultural economist and has served as an assistant to Secretary Benson since 1953, before which time he was a staff member of the Purdue University Department of Agricultural Economics.

He was born in Illinois and raised in Indiana. He studied agriculture at Purdue and agricultural economics at Cornell, where he received a Ph.D. He has taught, done research, and written extensively in the field of agricultural prices; and served as economic consultant for firms dealing in agricultural commodities.

Dr. Paarlberg was a delegate to the International Conference of Agricultural Economics at Stresa, Italy, in 1949; secretary-treasurer of the American Farm Economic Association in 1951-52; and since 1953, has been secretary to the National Agricultural Advisory Commission.

H. J. Bennett Appointed Foreign Affairs Officer

Hayden Jay Bennett has been named foreign agricultural affairs officer. He will be the special representative of the general sales manager, Commodity Stabilization Service, and will be stationed at The Hague, Netherlands. He will travel throughout the Continent and will be the general sales manager's direct liaison with trade groups, importers, and others interested in agricultural commodities offered for sale by the Commodity Credit Corporation. He will also help keep U.S. Department of Agriculture officials informed of changes in agricultural trade conditions or buying policies affecting dollar sales of CCC-owned commodities.

Mr. Bennett was born in Cambria, Wisconsin, and attended Madison College at Madison. He is a member of the Wisconsin Experimental Association of the Wisconsin College of Agriculture.

Hedges to Open Post at Bern

Irwin R. Hedges, who was food and agriculture officer for the International Cooperation Administration at Ankara, Turkey, has been appointed U.S. agricultural attaché to the newly established post at Bern, Switzerland.

His duties will include representing USDA at international economic conferences at Geneva and keeping in touch with the market in that important financial center of the world.

Earlier, Dr. Hedges served with the Economic Cooperation Administration in Paris.

He was born at Banner, Oklahoma, and received a B.S. degree from Oklahoma A. and M. College. He also has an M.S. and a Ph.D. from the University of Wisconsin.

Clayton E. Whipple Appointed to Rome

Clayton E. Whipple, former Deputy Administrator of FAS, has been named U.S. agricultural attaché to Rome, Italy.

Mr. Whipple is a native of New York State and holds a Bachelor's and a Master's degree from Cornell University. He has taught agriculture and economics in the United States, directed the Near East Foundation's educational program in the Balkans, and advised on postwar agricultural reconstruction programs in Greece and Rumania.

He became Deputy Administrator of FAS in 1953 and played a leading role in reorganizing the former Office of Foreign Agricultural Relations into the present Foreign Agricultural Service. Mr. Whipple is a member of the Board of Foreign Service, the governing body of the Foreign Service of the United States. For several years he has been consulting professor of agricultural economics and geography at Maryland University and lecturer at the Foreign Service Institute.

West German Policy

(Continued from page 20)

tirety and to pay off the joint heirs in cash.

Budget of Farm Support

German agriculture in the fiscal year 1956-57 was supported by treasury outlay to the tune of $600 million. This amount included all subsidies and credits for market regulation, productivity measures, research and extension, payments for land consolidation and reclamation, and tax remission. This was about 20 percent of the net income of agriculture.

The direct subsidies in this outlay involve rebates on fertilizers and subsidies for the purchase of high-quality seed potatoes and of machinery for cooperative use, for the improvement of fruit plantings, for improvements in marketing, for land consolidation and settlement, and for other uses.

WORLD Agricultural Summaries

Citrus. World citrus production in 1956 was up in all varieties except grapefruit. Orange and tangerine production of over 350 million boxes was up 4 million boxes from 1955; and lemon production, estimated at 35.9 million boxes, increased about 3.5 million. Grapefruit production dropped about 2 million boxes last year. The decrease was reported in the United States. All other areas maintained the 1955 production level.

Dairy products. World output of dairy products in the first quarter of 1957 was about the same as the first quarter of 1956. Cheese production increased 2 percent and canned milk output 4 percent, but dried milk and butter each dropped 3 percent.

Rice. Global production of rice for the 1956-57 season (August-July), estimated at 441.8 billion pounds, is 3.7 percent above the previous record 426.1 billion pounds. The increase is attributed mainly to expanded rice cultivation in Asia—where 93 percent of the world crop was produced this year. Output in South America and Africa was up slightly, but declined in Europe and North America.

Coffee. Total world green coffee production for the 1957-58 marketing season, estimated at 50.4 million bags, is 8.9 percent above 1956-57 production and very near the output realized for 1955-56. Exportable production is expected to increase about 15 percent over 1956-57.

Wool. A much larger Australian wool clip accounts mainly for the 225-million-pound increase in world wool production in 1956. Larger clips in Argentina, New Zealand, Russia, and the Union of South Africa also pushed total production up. 1956 marks the ninth consecutive year of increase.

New Zealand Promotes Fresh Fruit Exports

New Zealand is trying to sell more apples and pears abroad. The Fruit Marketing Board would like to resume exports to countries that were markets before World War II and to promote new markets.

New Zealand's best customers before the war were the United Kingdom, the Netherlands, Canada, Germany, Sweden, France, Belgium, and the United States.

Although exports were interrupted because of wartime conditions, production has increased fairly steadily. Apple production, estimated at 2.9 million bushels annually in the prewar period (1935-39), rose to 3.6 million bushels in 1955. Pear production increased by 153,000 bushels during the same period.

Total apple and pear exports have decreased from an average 1.1 million bushels yearly in 1934-38 to about 867,000 bushels in 1955. The United Kingdom is still New Zealand's major market although it imports slightly less than prewar. West Germany, with grade and variety standards similar to the United Kingdom, is also an important outlet. Canada is the only other major prewar customer still taking such fruits from New Zealand.

The Marketing Board's prime objective is to resume shipments to the Netherlands and Sweden. The Netherlands is a particularly important outlet because it reexports apples to Belgium and Switzerland.

The Board also would like to regain the French market because large fruit, which does not move readily in the United Kingdom and West Germany, is in demand there.

New and improved packaging may help recover lost markets. The fruit trade has experimented with different types and methods in several recent fruit shipments. Polyethylene box liners have been used successfully in exports to the United Kingdom. This method of packing will be extended. Fruit has been shipped to Canada using fiber and plastic dividers, but these are still in the experimental stage.

U.S., Poland Complete Pact for Farm Products

A supplemental U.S.-Polish agreement, signed August 14 under Title I of Public Law 480, raises to $95 million the total amount provided for financing the sale of U.S. farm products to Poland.

This new agreement covers the sale of about 400,000 metric tons of wheat, worth $25.6 million, and 107,000 bales of cotton, worth $17.1 million. With ocean transportation added, the total comes to $46.1 million.

The original negotiatons, completed June 7, provided $18.9 million under Public Law 480, plus a $30-million line of credit with the Export-Import Bank covering agricultural products and machinery. The Public Law 480 agreement of June 7 included—

	Mil. dol.
Cotton (91,000 bales)	$14.4
Inedible tallow (15,000 metric tons)	2.8
Cottonseed and/or soybean oil (2,600 metric tons)	.8
Ocean transportation	.9
Total	18.9

When these amounts were added to those provided for under Export-Import Bank loans, Poland had available $6.4 million for wheat (about 100,000 metric tons), $19.2 million for cotton (118,000 bales), $6 million for soybeans (60,000 tons), and $3.6 million for fats and oils (17,500 tons), plus $4 million for mining machinery, with total ocean transportation costs of $9.7 million. Some shipments have already reached Polish ports.

New Zealand's major apple and pear customers, prewar and 1955

Country	Average 1934-38	1955
	Bushels	*Bushels*
United Kingdom	836,439	804,284
Netherlands	53,544	.....
Canada	48,884	25,550
West Germany	42,292	24,358
Sweden	12,593	.....
France	6,823	.....
Belgium	4,387	.....
United States	3,395	.....
Other	43,350	13,229
Total	1,051,707	867,421

TRADING POST

Panama Subsidizes Cattle Exports

Panama is encouraging cattle exports. The government has instituted a subsidy program and the Institute of Economic Development has established a fund to pay exporting stockmen the difference between the domestic and the export price. The fund will be maintained by assessing slaughterers $1 per head on all cattle slaughtered for domestic use. Cattle from Panama are exported mainly to the Canal Zone, Colombia, and Curaçao.

U.S. Exhibit Inspires Spanish Dairy Industry

The equipment for recombining milk and making ice cream exhibited by the United States at the Barcelona Fair has been sold to Spain, according to the Dairy Society International. It will be used for demonstrations in Madrid. The Spanish dairy industry hopes to form a country-wide organization to process and distribute recombined milk and ice cream.

Canada Embargoes Poultry Imports

The Canadian Government, on July 17, 1957, began supporting the price of turkeys and other fowl at 25 and 23 cents per pound (live weight basis). At the same time, an embargo was put into effect to prevent further poultry imports.

This action might well reduce total U.S. exports of turkeys for 1957 by some 10 million pounds. Canada, during the past few years, has been a major market for U.S. turkeys—increasing its imports from less than 1 million pounds in 1952 to 13.5 million in 1956, and taking 5.1 million pounds during the first 6½ months of 1957, compared with 1.8 million during the same period in 1956.

Few Farm Products On New German List

West Germany has published a new dollar liberalization list. The few agricultural products included for the first time are crystallized egg white for food purposes, refined linseed oil for industrial use, sulfur oils, hardened fats (not refined) for industrial purposes, truffles in brine, and carob bean kernel meal. Alsike clover and red top grass seeds, carried on earlier lists, were removed from the new one.

Japan Gets New Export-Import Loan

Japan has received a new credit for $115 million from the Export-Import Bank to buy wheat, cotton, barley, and soybeans. About 50 percent of the loan will be used for cotton purchases and the balance for the other three products. This is the first time such a loan to Japan has covered the purchase of commodities other than cotton. Export-Import Bank financing is now available to buy 15 U.S. farm products.

United Kingdom Relaxes Dollar Import Controls

The United Kingdom, on Aug. 1, 1957, placed a long list of agricultural and nonagricultural items under Open General License. This means that importers will no longer have to apply to the Board of Trade for separate import licenses.

Principal U.S. farm export products affected by the new general licensing are wheat and wheat flour, rice, rye, barley, oats, corn, sorghums, oatmeal, malt, starches and starch preparations (not containing added sweetening matter and not packed for retail sale), dried peas, beans, lentils, gelatine, animal fats (except butter), flaxseed, vegetable oils, oilcake and meal, hops, hides and skins, and cotton linters.

Bolivia Sets New Customs Tariff

Bolivia's Stabilization Council has announced a new customs tariff to replace the ad hoc schedule set up last December as part of the Monetary Stabilization Program.

A number of adjustments have been made on rates levied on farm products. Wheat has been lowered from 6 percent to 4 percent ad valorem (most rates are on an ad valorem basis), wheat flour and rice have been raised from 8 to 20 percent, and potatoes raised from 10 to 20 percent. Tobacco products rates have been reduced and a flexible rate has been established for sugar. Cattle, beef, lard, and eggs enter duty free as before.

In addition to the tariff, all items are subject to the 6 percent consular fee and the warehouse charge. The warehouse charge is based on the length of time the item is in customs. The first month the charge is 1 percent of the c.i.f. value, the second month the charge is 2 percent, and for any time over 2 months, it is 6 percent.

The new tariff does not affect any of Bolivia's trade agreements. Bolivia is not a party to the General Agreement on Tariffs and Trade.

Argentina Reduces Meat Exports

Argentina reduced meat export authorizations from about 11.5 million pounds a week to about 7.8 million during July and most of August. The action was taken to adjust Argentine exports to the seasonal pattern of domestic meat production in the United Kingdom, where beef production rises in the summer.

U.K. Sets Honey Import Quota

The United Kingdom Board of Trade has established an import quota for honey from all dollar account countries. The quota will amount to £40,000 (U.S. $112,000) f.o.b. for the year beginning July 1, 1957, not including imports from Cuba, where separate arrangements have been made.

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Syria Buying Textile Equipment from Russia

A large textile manufacturing firm in Syria has bought a half million dollars' worth of equipment from Russia, according to informed sources. The automatic weaving looms, spinning frames, electric generator unit, and humidifying equipment are being installed by Russian technicians.

The Syrian manufacturer will pay for the equipment with shipments of 500 tons of cotton yarn to Russia. Delivery will be made in three annual installments—the first due 6 months after installation is completed.

Pedigreed U.S. Hogs Bought by El Salvador

El Salvador bought 60 pedigreed Durac hogs from the United States recently according to the Director General of Agriculture. The American Durac Record Association of Miami, Florida, made the arrangements for the sale of the 15 boars and 45 sows. Salvadoran breeders will use the animals to improve herds.

IAPI Liquidated By Argentina

The Argentine Trade Promotion Institute (IAPI) expects to dispose of all stocks of merchandise on hand by the end of 1957. The Provisional Government of Argentina decreed the liquidation of the IAPI in October 1955. Since then it has been engaged solely in closing-out operations, except for the mining section which continues to monopolize the purchase and export of domestic tungsten, beryllium, and mica ores. The mining operations will probably pass on to another agency when IAPI ceases operation.

The demise of IAPI will mark the end of a government trading monopoly, which for a decade has controlled exports of a number of important agricultural commodities.

Mexico Will Buy More U.S. Cattle

Mexico will buy additional beef and dairy cattle from the United States with a second $5 million loan recently approved by the Export-Import Bank.

Mexico's cattle problem is one of quality, not quantity. Only a small percentage of Mexico's 35 million head of beef cattle are of improved breed, and the problem is even greater with dairy cattle.

The new loan is expected to have a decisive influence in strengthening the Mexican market for quality U.S. breeding cattle. The Mexican market would be permanently open to U.S. cattlemen and their stock sales could amount to several million dollars annually.

Four Trade Fairs Scheduled for September

The Foreign Agricultural Service in cooperation with the U.S. Department of Commerce is sponsoring market promotion exhibits at several trade fairs this month.

- A dairy exhibit featuring recombined milk and ice cream is being shown at the fair at Izmir, Turkey, which began Aug. 20 and will continue through Sept. 20.
- The American Farm School at Salonika, Greece, is arranging an agricultural exhibit Sept. 1 to 22, with the assistance of FAS. Livestock feed concentrates and feed grains will be highlighted.
- From Sept. 7 through 22, a supermarket, patterned on the order of the FAS-sponsored supermarket exhibit in Rome last year, will be opened at Zagreb, Yugoslavia. It will be housed in a new permanent exhibit building jointly financed by the U.S. Departments of Agriculture and Commerce.
- USDA's biggest market promotion exhibit will be at the ANUGA Fair at Cologne, Germany, from Sept. 28 through Oct. 6. Featured products include lard and meat products; fresh, dried, and canned fruits and vegetables; soybean products; tobacco; poultry products; grains; and frozen foods.